

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SEC-01 AID-05 CEA-01 CIAE-00
COME-00 EB-08 EA-10 FRB-03 INR-10 IO-13 NEA-11
NSAE-00 ICA-11 OPIC-03 SP-02 TRSE-00 LAB-04
SIL-01 AGRE-00 OMB-01 SS-15 L-03 /115 W
-----101818 250150Z /65

R 241409Z MAY 78
FM AMEMBASSY HELSINKI
TO SECSTATE WASHDC 2750
INFO AMEMBASSY COPENHAGEN
AMEMBASSY OSLO
AMEMBASSY PARIS
AMEMBASSY STOCKHOLM

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USOECD

E.O. 11652: N/A
TAGS: EFIN, FI
SUBJECT: FINNS TO PLACE \$100
MILLIONBOND ISSUE IN US IN JUNE

1. THE FINNISH FINANCE MINISTRY ANNOUNCED ON MAY 18 THAT IT HAD FILED WITH THE SEC A PROSPECTUS TO ISSUE \$100 MILLION OF MEDIUM-TERM BONDS. THE TERM OF THE ISSUE WILL BE SEVEN YEARS ACCORDING TO PRESS REPORTS CONFIRMED PRIVATELY BY A MINISTRY OFFICIAL. SOLOMON BROTHERS WILL LEAD THE MANAGEMENT GROUP. THIS IS THE THIRD FINNISH GOVERNMENT PUBLIC ISSUE IN THE US IN 1-1/2 YEARS, AFTER A LONG ABSENCE. THE FIRST WAS \$50 MILLION IN DECEMBER 1976. THE SECOND, LAST OCTOBER, WAS ONLY \$50 MILLION OF A \$100 MILLION PACKAGE, THE SHORTER TERM TRANCHE HAVING BEEN WITHDRAWN AFTER A SHARP RISE IN FIVE-YEAR RATES.

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2. MINISTRY ANNOUNCED THAT THE NET PROCEEDS WILL BE ADDED INITIALLY TO FINLAND'S OFFICIAL FOREIGN EXCHANGE RESERVES WITH THE BANK OF FINLAND. IT IS ANTICIPATED THAT THE NET PROCEEDS WILL BE UTILIZED TO COVER A PORTION OF THE BUDGET DEFICIT EXPECTED TO BE INCURRED BY THE GOVERNMENT IN THE CURRENT FISCAL YEAR. THIS STATEMENT, INCLUDED IN THE PRELIMINARY

PROSPECTUS, STRIKES US AS A RATHER CANDID ADMISSION OF THE TRUE PURPOSE OF THE ISSUE, GENERAL DEFICIT FINANCING. A LOCAL US BANK REPRESENTATIVE OBSERVED, HOWEVER, THAT THE STANDING OF THE REPUBLIC OF FINLAND AND LIQUIDITY OF THE MARKET ENSURE A FAVORABLE PUBLIC RESPONSE.

3. FINANCE MINISTRY OFFICIAL (KANTOLA) TOLD US THAT, ASSUMING SEC APPROVAL THIS WEEK, THE FINNS WILL SIGN THE FINAL PAPERS IN NEW YORK ON JUNE 1. HE CONFIRMED OUR IMPRESSION THAT OFFICIAL POLICY RESERVES PUBLIC PLACEMENTS IN US MARKET FOR GOVERNMENT BONDS, WHILE PRIVATE PLACEMENTS IN THE US AND IN THE EURODOLLAR MARKET ARE THE SOLE TERRITORY OF COMPANIES. THE DECISION OF THE GOVERNMENT TO PLACE THIS ISSUE IN THE US RATHER THAN EUROPE REFLECTS THE SUCCESS THE FINNISH COMPANIES HAVE HAD THERE RECENTLY AND THE DOLLAR'S STRENGTHENING.

4. DANTOLA CONFIRMED THAT MINISTRY AND BANK OF

FINLAND OFFICIALS ARE STILL HOLDING TO PREVIOUS INFORMAL ESTIMATES THAT GOVERNMENT FOREIGN BORROWINGS ARE LIKELY TO TOTAL FMK 2.5-3.0 BILLION (\$1.00 EQUALS 4.3) FOR 1978, DEPENDING UPON THE AVAILABILITY OF DOMESTIC CREDIT. HE FELT THAT LIMITED OFFICIAL USE

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BORROWINGS WILL BE CLOSER TO FMK 3.0 THAN 2.5 BILLION.
FRY

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NNN

Message Attributes

Automatic Decaptioning: X
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